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May 9, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 05-90, Boston Edison Company, Cambridge Electric Light Company,
Commonwealth Electric Company, NSTAR Gas Company – 2006 Pension
Adjustment Factor Filing

Dear Secretary Cottrell:

Boston Edison Company ("Boston Edison"), Cambridge Electric Light Company ("Cambridge"), Commonwealth Electric Company ("Commonwealth") and NSTAR Gas Company ("NSTAR Gas") (together, "NSTAR" or the "Companies") hereby submit an original and nine (9) copies of updated information relating to their Pension/PBOP Adjustment Factors ("PAF") for 2006. The filing supplements previous testimony filed by Christine L. Vaughan and includes updated schedules with actual data through December 31, 2005.

Any correspondence with regard to this filing should be directed to the following:

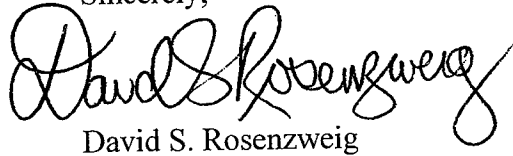
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Letter to Secretary Cottrell
D.T.E. 05-90
May 9, 2006
Page 2

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, reading "David S. Rosenzweig". The signature is fluid and cursive, with the first name "David" and last name "Rosenzweig" clearly legible. The signature is positioned above the printed name.

David S. Rosenzweig

Enclosures

cc: Caroline Bulger, Hearing Officer
Joseph Rogers, Assistant Attorney General
Service List, D.T.E. 05-90

**BOSTON EDISON COMPANY
CAMBRIDGE ELECTRIC LIGHT COMPANY
COMMONWEALTH ELECTRIC COMPANY
NSTAR GAS COMPANY**

Supplemental Direct Testimony of Christine L. Vaughan

Exhibit NSTAR-CLV(Supp)

D.T.E. 05-90

1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Christine L. Vaughan. My business address is One NSTAR Way,
4 Westwood, Massachusetts, 02090.

5 Q. Have you previously submitted pre-filed testimony in this proceeding?

6 A. Yes. As part of the initial filing on December 2, 2005, by Boston Edison
7 Company, Cambridge Electric Light Company, Commonwealth Electric
8 Company and NSTAR Gas Company (together, the "Companies"), I submitted
9 direct testimony, which has been marked for identification as Exhibit NSTAR-
10 CLV.

11 II. PURPOSE OF TESTIMONY

12 Q. What is the purpose of your supplemental testimony?

13 A. This testimony is intended to supplement my previous testimony with the primary
14 purpose of updating the schedule supporting that testimony with actual data
15 through December 31, 2005. My prior testimony was based on actual data
16 through October 2005 only, with estimated data for the remainder of 2005.
17 Exhibit NSTAR-CLV-1(Supp) reflects actual data through the end of 2005. With
18 this update, the Department and the parties to this proceeding can review the final

1 reconciliation of the Pension Adjustment Mechanism ("PAM") for the Companies
2 for 2005. The Companies' intention to file this update and the purpose of this
3 update were explained in my prior testimony.

4 **Q. Other than updating data for the last portion of the year, are there any other**
5 **changes included in this supplemental filing?**

6 A. For the 2005 and 2006 pension adjustment factor calculations, no changes other
7 than data updates have been made.

8 **Q. Please summarize the changes in the 2005 pension adjustment factor.**

9 A. Since the 2005 pension adjustment factor is based on results from 2004, the
10 majority of the calculation has not changed. The true-up of the amount actually
11 collected is shown on lines 37 to 41 of Exhibit NSTAR-CLV-1 (Supp), p. 1. The
12 PAM adjustment revenue and the interest rate calculation have been updated from
13 forecasted to actual.

14 **Q. Please summarize the other changes that relate to results from 2005 activity.**

15 A. The Employee Benefit Allocation Factors and Transmission Labor Allocator for
16 2005 were updated and are shown on page 4 of Exhibit NSTAR-CLV-1 (Supp).
17 Also, the results of the actual prepaid balances for 2005 were updated and are
18 shown on page 1 of Exhibit NSTAR-CLV-1 (Supp). These results become inputs
19 for the 2006 pension adjustment factor.

1 **Q. Why has the Pension and Post-Retirement Benefits Other Than Pensions**
2 **(“PBOP”) expense currently in distribution rates changed?**

3 A. The amounts of pension and PBOP expenses currently in distribution rates were
4 set in each company’s last base rate case. These amounts include both
5 distribution and transmission and are fixed. However, the transmission amount is
6 collected from a formula rate that varies annually with the labor allocator of that
7 year. The remaining amount for distribution, once the variable transmission
8 portion is subtracted, will vary slightly from year to year. The values presented in
9 Exhibit NSTAR-CLV-1 (Supp), page 1, line 3 include updates for the 2005 labor
10 allocators.

11 **Q. Please describe the Medicare Prescription Drug, Improvement and**
12 **Modernization Act of 2003?**

13 A. The Medicare Prescription Drug, Improvement and Modernization Act was
14 passed in December 2003 and generally took effect on January 1, 2006. The Act
15 substantially increases the coverage of Medicare by providing senior citizens with
16 a prescription drug benefit. In order to encourage employers to continue to offer
17 prescription drug coverage to Medicare-eligible retirees, the Act provides a
18 special direct subsidy from the federal government to employers who continue to
19 offer drug coverage. With the subsidy, an employer may receive an amount equal
20 to 28 percent of allowable retiree drug costs between \$250 and \$5,000 per

1 qualifying covered retiree in 2006, net of any rebates or other price concessions.

2 Additionally, this subsidy is not subject to federal or state income taxes.

3 **Q. What impact did the Act have on NSTAR's PBOP cost in 2005?**

4 A. Based on amounts calculated by our actuary, NSTAR's PBOP cost was reduced
5 by \$9.659 million in 2005 as a direct result of the Act. This adjustment has been
6 included in the \$26.176 million PBOP cost for 2005 shown on page 4 of Exhibit
7 NSTAR-CLV-1 line 13. Additionally, there are tax effects that affect the pension
8 calculation that flow back to customers.

9 **Q. How are the tax effects calculated in the schedules?**

10 A. There are two tax effects: one relating to the PBOP expense and one relating to
11 the PBOP pre-paid balances. For the PBOP expense, since the ultimate subsidy
12 that caused the decrease of the PBOP cost is tax-free, adjustments need to be
13 made in order to flow back to customers the tax effect of this subsidy. The effect
14 of this tax gross-up is calculated in Exhibit NSTAR-CLV-1 page 4, lines 16
15 through 19.

16 Since the Medicare subsidy is a permanent tax benefit, there are no deferred taxes
17 associated with this component of the prepaid PBOP balance. The adjustment to
18 the deferred tax balance computation is calculated on Exhibit NSTAR-CLV-1
19 page 1, lines 25 through 29.

1 **Q. Are the Companies proposing a change in the existing PAM factors at this**
2 **time?**

3 A. No. The previously approved PAM factors will remain in effect for 2006. The
4 updated data will be trued up in the 2007 Adjustment Amount through the Past
5 Period Reconciliation Adjustment with interest at the prime rate. The revenues
6 and costs for these charges are self-reconciling, and the updated information will
7 be incorporated into the calculation of PAM factors for 2007.

8 **Q. Does this conclude your testimony?**

9 A. Yes.

2006 Pension Adjustment Factor Calculations (\$'s in millions)

Line	Description	Boston Cambridge Commonwealth					Total	Reference
		Edison	Electric	Electric	NSTAR Gas			
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	
RECONCILIATION ADJUSTMENT								
1	2005 Pension & PBOP Distribution Expense	\$ 14.693	\$ 0.732	\$ 6.051	\$ 7.700	\$ 29.177		Page 4, Line 26
2	Base Rate Pension & PBOP Expenses for distrib & transm	\$ 24.031	\$ 1.207	\$ 7.371	\$ 4.818	\$ 37.427		Company Records (03-47; AG-1-31 (Att))
3	2005 transmission allocator	6.15%	35.29%	3.61%	-			
4	less: Pension and PBOP currently in rates	\$ (22.553)	\$ (0.781)	\$ (7.105)	\$ (4.818)	\$ (35.258)		Line 2 * (1-Line 3) *-1
5	2005 Reconciliation Deferral	\$ (7.860)	\$ (0.049)	\$ (1.054)	\$ 2.882	\$ (6.081)		Line 1 + Line 4
6	2004 Reconciliation Deferral	\$ (5.092)	\$ (0.157)	\$ 0.745	\$ 4.208	\$ (0.297)		Page 2, Line 5
7	2003 & 2002 Reconciliation Deferral	\$ 6.338	\$ 3.887	\$ 1.758	\$ 3.050	\$ 15.033		Page 3, Line 1 + Page 3, Line 4
8	Total Reconciliation Deferral	\$ (6.614)	\$ 3.682	\$ 1.449	\$ 10.140	\$ 8.656		Line 5 + Line 6 + Line 7
9	Reconciliation Amortization	\$ (2.205)	\$ 1.227	\$ 0.483	\$ 3.380	\$ 2.885		Line 8 / 3
10	Unamortized Reconciliation Deferral at 12/31/2005	\$ (6.938)	\$ (0.085)	\$ (0.454)	\$ 3.324	\$ (4.153)		Line 5*2/3 + Line 6*1/3
CARRYING CHARGE								
11	Cost of Capital Factor	10.88%	10.88%	10.88%	10.88%	10.88%		Per D.T.E. 03-47-A (Note 1)
12	Allocation Factors 2005 (less unregs)	54.70%	4.19%	19.84%	20.58%			
13	Actual Pension Prepaid at 12/31/2004 (Note 2)	\$ 155.552	\$ 8.434	\$ 54.153	\$ 56.051	\$ 274.190		Page 2, Line 11
14	Actual Pension Prepaid at 12/31/2005					\$ 346.889		BECO A/C 165010
15	Allocated Amounts (less unregs)	\$ 189.740	\$ 14.531	\$ 68.822	\$ 71.396	\$ 344.490		Line 14 *Line 12
16	Actual Pension Prepaid at 12/31/2005 (less transmission)	\$ 178.073	\$ 13.638	\$ 64.591	\$ 67.006	\$ 323.307		Line 15 * (1-Line 3) (BECO only)
17	2005 Average Pension Prepaid	\$ 166.813	\$ 11.036	\$ 59.372	\$ 61.529	\$ 298.749		(Line 13 + Line 16) / 2
18	Deferred Tax on Pension	\$ (53.654)	\$ (3.550)	\$ (19.097)	\$ (19.790)	\$ (96.091)		Line 17 * 0.82 * 0.39225
19	Pension Balance Subject to Carrying Charge	\$ 113.158	\$ 7.486	\$ 40.275	\$ 41.738	\$ 202.658		Line 17 + Line 18
20	Actual PBOP Prepaid at 12/31/2004	\$ (34.092)	\$ (1.848)	\$ (11.869)	\$ (12.285)	\$ (60.094)		Page 2, Line 16
21	Actual PBOP Prepaid at 12/31/2005 (for all companies)					\$ (46.924)		NSTAR A/C 242500
22	Allocated Amounts (less unregs)	\$ (25.666)	\$ (1.966)	\$ (9.310)	\$ (9.658)	\$ (46.600)		Line 21 * Line 12
23	2005 Average PBOP Prepaid	\$ (29.879)	\$ (1.907)	\$ (10.589)	\$ (10.971)	\$ (53.347)		(Line 20 + Line 22)/2
24	Deferred Tax on PBOP	\$ 9.728	\$ 0.621	\$ 3.447	\$ 3.572	\$ 17.368		Line 23 * 0.83 * 0.39225 * -1
25	Medicare Act Impact as of 12/31/2004					\$ 7.000		Per Company Records
26	Medicare Act Impact as of 12/31/2005					\$ 9.659		Per Company Records
27	2005 Average Balance					\$ 8.329		(Line 25 + Line 26)/2
28	Allocated Amounts (less unregs)	\$ 4.556	\$ 0.349	\$ 1.653	\$ 1.714	\$ 8.272		Line 27 * Line 12
29	Medicare Deferred Tax Adjustment	\$ 1.787	\$ 0.137	\$ 0.648	\$ 0.672	\$ 3.245		Line 28 * 0.39225
30	PBOP Balance Subject to Carrying Charge	\$ (18.365)	\$ (1.149)	\$ (6.493)	\$ (6.727)	\$ (32.734)		Line 23 + Line 24 + Line 29
31	Carrying Charge on Average Prepaid	\$ 10.314	\$ 0.689	\$ 3.675	\$ 3.809	\$ 18.488		(Line 19 + Line 30)*Line 11
32	Unamortized Reconciliation Deferral at 12/31/2005	\$ (9.142)	\$ 1.143	\$ 0.028	\$ 6.704	\$ (1.267)		Page 2, Line 8 + Line 5
33	Deferred Tax Amount	\$ 3.586	\$ (0.448)	\$ (0.011)	\$ (2.630)	\$ 0.497		Line 32 * 0.39225 *-1
34	Balance Subject to Carrying Charge	\$ (5.556)	\$ 0.694	\$ 0.017	\$ 4.074	\$ (0.770)		Line 32 + Line 33
35	Carrying Charge on Deferral Balance	\$ (0.605)	\$ 0.076	\$ 0.002	\$ 0.443	\$ (0.084)		Line 34 * Line 11
36	Total Carrying Charges	\$ 9.709	\$ 0.765	\$ 3.677	\$ 4.253	\$ 18.404		Line 31 + Line 35
PAST PERIOD RECONCILIATION AMOUNT								
37	2005 Pension/PBOP Adjustment Amount	\$ 8.065	\$ 1.945	\$ 4.901	\$ 6.997	\$ 21.908		Page 2, Line 32
38	less: 2005 Pension/PBOP Adjustment Revenue	\$ (9.362)	\$ (2.093)	\$ (5.184)	\$ (5.834)	\$ (22.473)		Per Company Records
39	Prior Period Reconciliation Amount	\$ (1.297)	\$ (0.148)	\$ (0.283)	\$ 1.163	\$ (0.565)		Line 37 + Line 38
40	Interest at Prime Rate 6.363%	\$ (0.083)	\$ (0.009)	\$ (0.018)	\$ 0.074	\$ (0.036)		Prime rate as per 220 § 6.08(2)*Line 39
41	Past Period Reconciliation Amount	\$ (1.380)	\$ (0.158)	\$ (0.301)	\$ 1.237	\$ (0.601)		Line 39 + Line 40
TOTAL								
42	Actual Pension/PBOP Adjustment Amount	\$ 6.125	\$ 1.834	\$ 3.860	\$ 8.870	\$ 20.688		Line 9 + Line 36+ Line 41

Note 1: This before-tax factor is equal to the after-tax factor of 8.16 percent authorized by the Department.

Note 2: The balances have been reduced to eliminate the amount recovered from transmission customers and non-utility businesses.

2005 Pension Adjustment Factor Calculations (\$'s in millions)

Line	Description	Boston Edison	Cambridge Electric	Commonwealth Electric	NSTAR Gas	Total	Reference
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G
1	Unamortized Reconciliation Deferral at 12/31/2003	\$ 4.225	\$ 2.591	\$ 1.172	\$ 2.033	\$ 10.022	Page 3, Line 7
2	2003 Reconciliation Amortization	2.113	1.296	0.586	1.017	5.011	Line 1*0.5 (2nd year of 3-year amortization)
3	2004 Pension & PBOP Distribution Expense	17.278	0.797	7.823	9.026	34.925	Reference: 04-118
4	less: Pension & PBOP Expense Currently in Distrib Rates	(22.371)	(0.954)	(7.079)	(4.818)	(35.221)	Reference: 04-118*-1
5	2004 Reconciliation Deferral	(5.092)	(0.157)	0.745	4.208	(0.297)	Line 3 + Line 4
6	2004 Reconciliation Amortization	(1.697)	(0.052)	0.248	1.403	(0.099)	Line 5 / 3 (1st year of 3-year amortization)
7	Reconciliation Adjustment For 2005	\$ 0.415	\$ 1.243	\$ 0.834	\$ 2.419	\$ 4.912	Line 2 + Line 6
8	Unamortized Reconciliation Deferral at 12/31/2004	\$ (1.282)	\$ 1.191	\$ 1.082	\$ 3.822	\$ 4.813	Line 1 + Line 5- Line 7
Carrying Charge Calculation:							
9	Cost of Capital Factor	10.88%	10.88%	10.88%	10.88%	10.88%	Per D.T.E. 03-47-A (Note 1)
10	Actual Pension Prepaid at 12/31/2003 (Note 2)	157.912	8.124	55.385	53.835	275.256	Page 3, Line 11
11	Actual Pension Prepaid at 12/31/2004 (Note 2)	155.552	8.434	54.153	56.051	274.190	Reference: 04-118
12	2004 Average Pension Prepaid	156.732	8.279	54.769	54.943	274.723	(Line 10 + Line 11) / 2
13	Deferred Tax on Pension	(50.412)	(2.663)	(17.616)	(17.672)	(88.363)	Line 12 * .82 * 0.39225
14	Pension Balance Subject to Carrying Charge	\$ 106.320	\$ 5.616	\$ 37.153	\$ 37.271	\$ 186.360	Line 12 + Line 13
15	Actual PBOP Prepaid at 12/31/2003	\$ (29.970)	\$ (1.542)	\$ (10.511)	\$ (10.217)	\$ (52.240)	Page 3, Line 16
16	Actual PBOP Prepaid at 12/31/2004	(34.092)	(1.848)	(11.869)	(12.285)	(60.094)	Reference: 04-118
17	2004 Average PBOP Prepaid	(32.031)	(1.695)	(11.190)	(11.251)	(56.167)	(Line 15 + Line 16) / 2
18	Deferred Tax on PBOP	10.428	0.552	3.643	3.663	18.286	Line 17 * .83 * 0.39225
19	Deferred Tax Adjustment for Medicare Act	0.770	0.042	0.268	0.278	1.358	\$7/2* 0.39225* 2004 allocation factors
20	PBOP Balance Subject to Carrying Charge	\$ (20.832)	\$ (1.101)	\$ (7.279)	\$ (7.310)	\$ (36.523)	Line 17 + Line 18+ Line 19
21	Carrying Charge on Average Prepaid	\$ 9.301	\$ 0.491	\$ 3.250	\$ 3.260	\$ 16.302	((Line 14 + 20) * Line 9)
22	Reconciliation Deferral	\$ (0.867)	\$ 2.434	\$ 1.917	\$ 6.241	\$ 9.725	Line 1 + Line 5
23	Deferred Tax Amount	0.340	(0.955)	(0.752)	(2.448)	(3.815)	Line 22 * 0.39225 *-1
24	Balance Subject to Carrying Charge	\$ (0.527)	\$ 1.480	\$ 1.165	\$ 3.793	\$ 5.911	Line 22 + Line 23
25	Carrying Charge on Deferral Balance	\$ (0.057)	\$ 0.161	\$ 0.127	\$ 0.413	\$ 0.643	Line 24 * Line 9
26	Total Carrying Charges	\$ 9.244	\$ 0.652	\$ 3.377	\$ 3.672	\$ 16.945	Line 21 + Line 25
27	2004 Pension/PBOP Adjustment Amount	11.245	1.998	3.714	4.087	21.044	Page 3, Line 35
28	less: 2004 Pension/PBOP Adjustment Revenue	(12.772)	(1.951)	(3.053)	(3.220)	(20.996)	Per Company Records*-1
29	Prior Period Reconciliation Amount	(1.527)	0.048	0.661	0.867	0.048	Line 27 + Line 28
30	Interest at Prime Rate 4.426%	(0.068)	0.002	0.029	0.038	0.002	Prime rate as per 220 § 6.08(2) * Line 29
31	Past Period Reconciliation Amount	(1.594)	0.050	0.690	0.905	0.050	Line 29 + Line 30
32	Actual 2005 Pension/PBOP Adjustment Amount	8.065	1.945	4.901	6.997	21.908	Line 7 + Line 26 + Line 31

Note 1: This before-tax factor is equal to the after-tax factor of 8.16 percent authorized by the Department.

Note 2: The balances have been reduced to eliminate the amount recovered from transmission customers and non-utility businesses.

2004 Pension Adjustment Factor Calculations (\$'s in millions)

Line	Description	Boston Edison	Cambridge Electric	Commonwealth Electric	NSTAR Gas	Total	Reference
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G
1	Unamortized Reconciliation Deferral at 12/31/2002	\$ 4.198	\$ 3.712	\$ -	\$ -	\$ 7.910	Per D.T.E. 03-47-A (Notes 1, 2)
2	2003 Pension & PBOP Distribution Expense Sept - Dec	9.869	0.491	4.166	4.656	19.182	Reference: 03-47B
3	less: Pension & PBOP Expense Curr. in Distrib. Rts, 4 mo	(7.728)	(0.316)	(2.408)	(1.606)	(12.058)	Per Company Records (Sept - Dec)*-1
4	2003 Reconciliation Deferral	2.140	0.175	1.758	3.050	7.123	Line 2 + Line 3
5	2003 Reconciliation Adjustment	0.713	0.058	0.586	1.017	2.374	Line 4 / 3
6	Calculated Reconciliation Adjustment For 2004	\$ 2.113	\$ 1.296	\$ 0.586	\$ 1.017	\$ 5.011	(Line 1 / 3) + Line 5
7	Unamortized Reconciliation Deferral at 12/31/2003	\$ 4.225	\$ 2.591	\$ 1.172	\$ 2.033	\$ 10.022	Line 1 + Line 4 - Line 6
8	Carrying Charge Calculation:						
9	Cost of Capital Factor	10.88%	10.88%	10.88%	10.88%	10.88%	Per D.T.E. 03-47-A (Note 3)
10	Actual Pension Prepaid at 12/31/2002 (Note 4)	\$ 140.056	\$ 7.205	\$ 49.123	\$ 47.747	\$ 244.131	Reference: 03-47B
11	Actual Pension Prepaid at 12/31/2003 (Note 4)	157.912	8.124	55.385	53.835	275.256	Reference: 03-47B
12	2003 Average Pension Prepaid	148.984	7.664	52.254	50.791	259.694	(Line 10 + Line 11) / 2
13	Deferred Tax on Pension	(47.920)	(2.465)	(16.807)	(16.337)	(83.529)	Line 12 * 82 * 0.39225
14	Pension Balance Subject to Carrying Charge	\$ 101.064	\$ 5.199	\$ 35.447	\$ 34.454	\$ 176.164	Line 12 + Line 13
15	Actual PBOP Prepaid at 12/31/2002	\$ (29.664)	\$ (1.526)	\$ (10.404)	\$ (10.113)	\$ (51.707)	Reference: 03-47B
16	Actual PBOP Prepaid at 12/31/2003	(29.970)	(1.542)	(10.511)	(10.217)	(52.240)	Reference: 03-47B
17	2003 Average PBOP Prepaid	(29.817)	(1.534)	(10.458)	(10.165)	(51.973)	(Line 15 + Line 16) / 2
18	Deferred Tax on PBOP	9.707	0.499	3.405	3.309	16.921	Line 17 * 83 * 0.39225
19	PBOP Balance Subject to Carrying Charge	\$ (20.109)	\$ (1.035)	\$ (7.053)	\$ (6.856)	\$ (35.053)	Line 17 + Line 18
20	Carrying Charge on Average Prepaid	\$ 8.808	\$ 0.453	\$ 3.089	\$ 3.003	\$ 15.353	((Line 14 + 19) * Line 9)
21	Existing Reconciliation Deferral	\$ 4.198	\$ 3.712	\$ -	\$ -	\$ 7.910	Line 1
22	Deferred Tax Amount	(1.647)	(1.456)	-	-	(3.103)	Line 21 * 0.39225*-1
23	Balance Subject to Carrying Charge	\$ 2.551	\$ 2.256	\$ -	\$ -	\$ 4.807	Line 21 + Line 22
24	Carrying Charge on Existing Deferral Balance	\$ 0.278	\$ 0.245	\$ -	\$ -	\$ 0.523	Line 23 * Line 9
25	Unamortized Reconciliation Deferral at 12/31/03	\$ 2.140	\$ 0.175	\$ 1.758	\$ 3.050	\$ 7.123	Line 4
26	Deferred Tax Amount	(0.840)	(0.069)	(0.690)	(1.196)	(2.794)	Line 25 * 0.39225
27	Balance Subject to Carrying Charge	\$ 1.301	\$ 0.106	\$ 1.068	\$ 1.854	\$ 4.329	Line 25 + Line 26
28	Carrying Charge on 12/31/03 Deferral Balance	\$ 0.047	\$ 0.004	\$ 0.039	\$ 0.067	\$ 0.157	(Line 27 * Line 9) * 1/3 of year
29	Total Carrying Charges	\$ 9.133	\$ 0.702	\$ 3.128	\$ 3.070	\$ 16.033	Line 20 + Line 24 + Line 28
30	2003 Actual Pension/PBOP Adjustment Amount	-	-	-	-	-	Line 35 prior year true-up
31	less: 2003 Actual Pension/PBOP Adjustment Revenue	-	-	-	-	-	Per Company Records*-1
32	Prior Period Reconciliation Amount	-	-	-	-	-	Line 30 + Line 31
33	Interest	-	-	-	-	-	Prime rate as per 220 § 6 08(2) * Line 32
34	Past Period Reconciliation Amount	-	-	-	-	-	Line 32 + Line 33
35	Forecasted 2004 Pension/PBOP Adjustment Amount	11.245	1.998	3.714	4.087	21.044	Line 6 + Line 29 + Line 34

Note 1: Includes Boston Edison pension deferral of \$4.198 million from D.P.U. 92-92.

Note 2: Includes Cambridge Electric deferral and carrying charges of \$3.712 million from phase-in of SFAS 106 (D.P.U. 92-250).

Note 3: This before-tax factor is equal to the after-tax factor of 8.16 percent authorized by the Department.

Note 4: The balances have been reduced to eliminate the amount recovered from transmission customers (3.54%) and non-utility businesses (1.53%).

**2006 Pension Adjustment Mechanism
Recoverable Pension and PBOP Plan Expenses For 2005 (\$'s in millions)**

Line	Account						Reference
		Boston Edison	Cambridge Electric	Commonwealth Electric	NSTAR Gas	NSTAR Electric & Gas Co. *	
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G
	Account 926 Employee Benefits (2005)						
1	Allocation Factors 2005	50.89%	3.68%	20.40%	25.03%		Utility O&M percentages
2	Allocation Factors 2005 (less unregs)	54.70%	4.19%	19.84%	20.58%		% of Total Benefits
3	2005 Actual Total Pension Expense per FAS 87 for all companies					\$ 25.857	NSTAR A/C 926100
4	Less Unregulated Companies					(0.179)	Line 3 * (1- sum of Line 2)*-1
5	Pension cost (net of unregs)					\$ 25.678	Line 4 + Line 3
6	2005 % of Cap/Benefits (less unreg)					32.36%	
7	Charged to Capital					(8.309)	Line 5 * Line 6 * -1
8	Pension Expense					\$ 17.369	Line 5 + Line 7
9	Recoverable Pension Plan Expense	\$ 8.839	\$ 0.639	\$ 3.544	\$ 4.347		Line 1 * Line 8
10	2005 Transmission Labor Allocator	6.15%	35.29%	3.61%	-		
11	Less: Transmission Component (Electric Only)	(0.544)	(0.226)	(0.128)	-		Line 9 * Line 10 *-1
12	Distribution Pension Expense	\$ 8.295	\$ 0.414	\$ 3.416	\$ 4.347		Line 9 + Line 11
13	2005 Actual Total PBOP Expense per FAS 106 for all companies					\$ 26.176	NSTAR A/C 926320
14	Less Unregulated Companies					(0.181)	Line 13 * (1- sum of Line 2)*-1
15	PBOP cost (net of unregs)					\$ 25.995	Line 4 + Line 3
16	Medicare Impact					\$ (9.659)	Per Company Records
17	Medicare Impact (less unregs)					\$ (9.592)	Line 16 * (sum of Line 2)
18	64.54% Tax Gross-up					64.54%	
19	Gross-up for Medicare Act reduction					\$ (6.191)	Line 17 * Line 18
20	PBOP cost including tax effects of Medicare Act					\$ 19.804	Line 15 + Line 19
21	Charged to Capital Account					\$ (6.408)	Line 20 * Line 6 * -1
22	PBOP Expense					\$ 13.396	Line 20 + Line 21
23	Recoverable PBOP Plan Expense	\$ 6.817	\$ 0.493	\$ 2.733	\$ 3.353		Line 22 * Line 1
24	Less Transmission Component (Electric Only)	\$ (0.419)	\$ (0.174)	\$ (0.099)	-		Line 23 * Line 10
25	Distribution PBOP Expense	\$ 6.398	\$ 0.319	\$ 2.635	\$ 3.353		Line 23 + Line 24
26	Total Recoverable Distribution Pension and PBOP Plan Expenses	\$ 14.693	\$ 0.732	\$ 6.051	\$ 7.700	\$ 29.177	Line 12 + Line 25

* Total Benefits are charged to Utility Companies from NSTAR Electric & Gas Company. Recoverable amounts under this mechanism include only the components of the accounts attributable to pension and PBOP.